

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO. 2317-01
BILL NO. HB 1156
SUBJECT: Taxation and Revenue-Property: Elderly
TYPE: Original
DATE: January 6, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Blind Pension	\$0	\$0	\$0
General Revenue	\$0	(\$46,737,463)	(\$52,303,461)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$46,737,463)	(\$52,303,461)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue** stated that this proposal would not affect that agency, administratively. (Oversight notes that there could be a savings to the General Revenue Fund since the circuit breaker property tax credit is a refund of property taxes paid by an individual. Since the proposal would limit the amount of property taxes paid, some circuit breaker payments would be less than under current law. It is unknown how many individuals would claim this property tax exemption, or how much payments would be reduced. Oversight assumes the effect would not be material.)

State Tax Commission (TAX) officials estimated possible loss of income. The 1990 census indicated that 25% of occupied housing units are occupied by persons 65 or older. Recent increases in assessments for residential properties have been 12% in reassessment years (or about \$3,100,000,000 affecting FY 2002). Assuming over-64's account for 25% of the increase and an average tax rate of \$5.87 per \$100 assessed valuation, the possible loss computes to about \$46,500,000 for FY 2002 and \$52,000,000 for FY 2003. The Blind Pension Fund Tax, which is \$.03 per \$100 assessed valuation, reimbursement would be about \$237,000 in FY 2002 and approximately \$265,000 in FY 2003.

TAX officials would also request one audit clerk to receive and analyze requests for payments from approximately 2,500 political subdivisions and certify for payment by Office of Administration.

TAX officials and the Cole County Assessor note that assessors would have to maintain two sets of assessments for exempt parcels. It is not possible to estimate how much those costs would be until assessors could determine how many parcels would be affected; therefore, unknown additional costs to county assessors are reflected in the fiscal impact to local governments.

Department of Elementary and Secondary Education officials note that the proposal would decrease tax collections, which would increase the amount needed to fully fund the Foundation Formula. They also noted that 1) "on the formula" districts would recoup their losses through state payments, and 2) "hold harmless" districts would not recover losses through additional payments through the Foundation Formula.

Oversight assumes that:

1) the state will reimburse political subdivisions for their payments in lieu of Blind Pension taxes from the General Revenue Fund;

ASSUMPTION (continued)

2) there will be sufficient general revenue funds to allow payments to political subdivisions in FY 2002 and FY 2003;.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

<u>Cost - Reimbursements to Political Subdivisions</u>	\$0	(\$46,737,000)	(\$52,265,000)
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State Tax Commission (TAX)

Personal Service (1 FTE)	\$0	\$ 21,012	\$ 21,538
Fringe Benefits	0	6,461	6,623
Expense and Equipment	<u>0</u>	<u>10,000</u>	<u>10,300</u>

Administrative Cost to TAX	\$0	(\$ 37,473)	(\$ 38,461)
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NET EFFECT ON GENERAL REVENUE FUND

\$0 (\$46,774,473) (\$52,303,461)

BLIND PENSION FUND

<u>Income - Payments In Lieu of Taxes</u>	\$0	\$237,000	\$265,000
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<u>Loss - Reduced Property Tax Collections</u>	\$0	(\$237,000)	(\$265,000)
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ESTIMATED NET EFFECT ON BLIND PENSION FUND

\$0 \$0 \$0

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
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POLITICAL SUBDIVISIONS

<u>Income - Reimbursements from State</u>	\$0	\$46,737,000	\$52,265,000
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FISCAL IMPACT - Local Government
(continued)

FY 2001 (6 Mo.)	FY 2002	FY 2003
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Costs - Reduced Property Tax
Collections and Payments in Lieu
of Blind Pension Fund Taxes

\$0	(\$46,737,000)	(\$52,265,000)
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Cost - Assessor costs to keep two sets
of books

\$0	(Unknown)	(Unknown)
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**ESTIMATED NET EFFECT ON
POLITICAL SUBDIVISIONS**

\$0 (Unknown) (Unknown)

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill authorizes a homestead exemption for purposes of real property tax relief for persons who are at least sixty-five years of age and who own and reside on property which qualifies as a homestead under terms of section 135.010, RSMo.

The exemption would be for the part of the assessed value of the homestead which exceeds the assessed value of the homestead in the year in which the owner reaches sixty-five or on the effective date of the proposal, whichever is later.

Provisions are included to allow political subdivisions to recoup any loss in revenue as a result of the proposal, to protect income to the Blind Pension Fund and to allow a moratorium on the homestead exemption if the General Assembly determines that total state revenues are insufficient in any year.

This proposal has an effective date of January 1, 2001.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This proposal would not affect Total State Revenue.

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SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Revenue
State Tax Commission
Cole County Assessor

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "Jarrett".

Jeanne Jarrett, CPA
Director
January 6, 2000